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GAO Faults Auditing of Contra Aid

State Dept. Controls Unable to Verify Delivery, Report Says

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State Department audit controls over millions of dollars in U.S. humanitarian aid to Nicaraguan rebels "cannot verify actual delivery or receipt of items" in the field, a General Accounting Office official said in congressional testimony prepared for delivery today.

The statement by Frank C. Conahan, director of GAO's national security and international affairs division, said the department "does not have procedures and controls which would allow it to provide these assurances" that Congress asked for when it approved the \$27 million aid program last fall.

The report for the House Foreign Affairs subcommittee on Western Hemisphere affairs, a copy of which was provided to The Washington Post, is likely to provide ammunition in the debate over President Reagan's new request for \$100 million in aid to the contras, including perhaps \$70 million in covert military aid. Its contents were disclosed on a day of rising rhetorical warfare between backers and opponents of new aid for the Nicaraguan rebels. The battle is expected to continue until Congress votes on the request, probably in about two weeks.

White House communications director Patrick J. Buchanan launched the opening salvo by warning on "CBS Morning News":

"If we don't get that assistance to the contras, they'll be defeated," he said. "The communists . . . will roll up Nicaragua and then we'll be left with two options: basically the Unit-

ed States can then step aside and watch the Warsaw Pact roll up Central America, or we send in the Marines."

Secretary of State George P. Shultz expressed general agreement. "If it's a question of avoiding the use of U.S. military forces directly, then support for the president's package is indicated," he told a House subcommittee.

On the other side of the issue, 167 religious leaders charged that "exaggeration, misinformation and outright falsehood form the heart of the Reagan administration case against Nicaragua." And the Washington-based human rights group Americas Watch, reporting abuses by the Nicaraguan government as well as the contra rebels, urged that the aid package be defeated.

Paradoxically, the critical GAO report may provide ammunition for the administration, which has been arguing that the overt program is working so badly that only a new covert plan can meet the contras' needs.

"Those charged with administering the [contra aid] program are unable to verify expenditures made in the region, and are unable to observe the end use of procured items to ensure that they were not diverted, bartered or exchanged," Conahan's draft testimony said.

While the \$5.2 million in aid funds so far spent in the United States has been under "considerable control," \$7.1 million spent in the Central American region is not, Conahan said. "Payment is usually made to a Miami bank account of one of several brokers . . . there is no audit trail showing payments from the brokers' accounts to suppliers, and only partial documentation of shipments from the suppliers to the resistance forces."

Congressional sources said the GAO had told them about \$4 million worth of equipment purchased in the United States remains in U.S. warehouses because of refusal by the Honduran government to allow its delivery to contra troops based in that country.

The developments occurred as White House officials, following a Cabinet strategy meeting on the aid proposal, said Reagan plans to deliver a nationally televised plea for the aid over the March 15-16 weekend, if the House sticks to its plan to vote the following week.

Spokesman Larry Speakes said the administration faces "an uphill fight" on the package, which would provide the 20,000 contras with \$30 million in nonmilitary aid and give Reagan \$70 million to use as he likes, presumably for covert military aid. "For the moment we think it is the appropriate package," Speakes said.

Administration officials have repeatedly argued that renewed military pressure from the contras is the only way to bring Nicaragua's leftist Sandinista government into regional peace negotiations, and that a contra defeat means an eventual choice between a communist Central America or U.S. military action. However, Reagan has also declared repeatedly, as recently as last week, that he has no plans to use troops in Central America.

Rep. David R. Obey (D-Wis.), chairman of the House Appropriations subcommittee on foreign operations, told Shultz that the administration stand is illogical. "We view the aid package not as a way to avoid American involvement, but as a means that will put us on the slippery slope to involvement," Obey said.

In the Philippines, "we let the people there do it. If we learned one lesson from the Philippines, it is 'don't give \$100 million to the contras.'"

House Speaker Thomas P. (Tip) O'Neill Jr. (D-Mass.) echoed that in his first formal statement on the contra issue. "It would be a disaster for America to drop from the high road of smart diplomacy [in the Philippines] to the depths of gunboat diplomacy," he said. "Reagan should practice the magic of Manila on Managua."

The Catholic, Jewish and Protestant religious leaders, including eight seminary presidents and 20 bishops of varying denominations, said they will plant "crosses of sorrow and hope" in 78 cities nationwide to memorialize alleged victims of contra attacks in Nicaragua.

Their statement said the administration "has been covering up credible reports that the contras are systematically committing human rights atrocities" and that its policy is "built upon a foundation of falsehood."

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